

"vertical feature" functionality. Incredibly, however, the LPSC authorized BellSouth to inflate its port charges by nearly 400 percent to cover supposed (and largely unspecified) incremental costs of a limited set of features -- producing an effective port charge many times higher than the rates that other commissions have determined are cost-based.

29. These "vertical features" charges are so far removed from any conceivable notion of cost-based pricing that it is difficult to know where to begin in analyzing them. Perhaps the best place to begin, however, is the unusual genesis of the separate vertical features charges, namely, the LPSC's decision issued September 5, 1997 that the Eighth Circuit's Iowa Utils. Bd. decision mandates that vertical features be treated as separate network elements and therefore that separate costs be assigned to them. LPSC Order No. U-22252-A (Tab 136) at 5. In fact, the Eighth Circuit merely confirmed that CLECs are entitled under the Act to obtain all features and functions of the switch as part of unbundled local switching as opposed to being able to obtain them only through resale of existing vertical features. See Iowa Utils. Bd. v. FCC, 120 F.3d 753, 808-809 (8th Cir. 1997). Nonetheless, six days following the LPSC's decision, BellSouth submitted supplemental direct testimony of Ms. Daonne Caldwell introducing new "cost" studies for vertical features of the switch. Caldwell Supp. Test. (Tab 273/5). And, BellSouth witness Mr. Varner testified that "[t]o determine the rate for switching including . . . vertical features, it is necessary to add up the costs of all the vertical features and add them to the port cost. This would yield a 2-wire analog port cost of \$11.97." Varner Reb. Test. (Tab 273/2) at 41. Mr.

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Varner made it clear that this charge would apply in addition to BellSouth's proposed port charge without features of \$2.61. Id.³

30. BellSouth's vertical features rate proposal is clearly not cost-based. As explained by AT&T witness, Catherine E. Petzinger, a former Bellcore employee who was involved for a number of years in the development and use of the Switching Cost Information System ("SCIS"), on which BellSouth purported to base its vertical features cost study, the primary driver of vertical features costs is the cost of the switch processor. Petzinger Test. (Tab 279/8) at 24. That processor "should not be considered a traffic sensitive component if it is never expected to exhaust," but is "simply a fixed investment required to make the switch operational over its life." Id. at 23. BellSouth's own studies confirm that BellSouth's switch processors are only 55-60% utilized even at the point they are retired. Id. And BellSouth does not incur any additional switching investment cost under its current contracts to provide additional features to customers. Petzinger Tr. (Tab 279) at 2557. Thus, vertical features should not be assigned separate costs above and beyond the costs of the port -- which already include the costs of the processor. Id. at 2527.⁴ Accordingly, acceptance of BellSouth's vertical feature prices as cost-based would require acceptance of the notion that the incremental cost of using a component of a network element -- i.e., the processor -- somehow exceeds the cost of the element itself. Although there is no

³ Three days later, at the first day of hearings on September 8, 1997, Mr. Varner also offered CLECs the option of purchasing "a port with any three features that they choose to have for \$8.25, and buy the remainder at cost prices off the price list." Varner Tr. (Tab 273) at 36.

⁴ The only testimony even attempting to rebut this critical point was the rebuttal testimony of Mr. David Garfield, a current Bellcore employee, who asserted that even modern switch processors will exhaust if not upgraded over time. Garfield Reb. Test. (Tab 275/2) at 2. This obviously disregards the fact that processors are typically retired before that point is reached as Ms. Petzinger explained.

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evidence that the LPSC ever focused on the vertical features charges proposed by BellSouth, its Pricing Order accepts without explanation precisely that baseless and illogical notion.

31. The problems with BellSouth's vertical features studies were not lost on Ms. Dismukes. In her prepared testimony filed on September 22, 1997, she testified that her review of BellSouth's vertical features cost study indicated that "the [LPSC] cannot rely on outputs of the study, due to inherent flaws in the inputs." Dismukes Test. (Tab 281) at 46. Ms. Dismukes conceded that it was "not necessarily clear precisely what those costs are that are entering into the [BellSouth vertical features] model," and she properly questioned, for example, why, as BellSouth assumed, "additional land or costs would be required if all you are doing is providing features from the switch." Dismukes Tr. (Tab 281) at 3111-12 (emphasis added). Ms. Dismukes further testified that,

[g]iven the time constraints of this proceeding, I have only made a limited review of this study. BellSouth's study is poorly documented and offers little explanation of how the costs of vertical features were developed.

Id. (emphasis added). Lacking any ready means (or time) to conduct her own study or modify the BellSouth study, however, Ms. Dismukes did nothing more than reduce the proposed charge by a fixed percentage -- ultimately approximately 16%. Apart from this adjustment, Ms. Dismukes made it plain that she "[e]ssentially . . . accept[ed] BellSouth's numbers." Dismukes Tr. (Tab 281) at 3115-3116. At the conclusion of her testimony at the hearings, Ms. Dismukes again acknowledged that she was acutely uncomfortable with her analysis and its results and that additional analyses were warranted. Dismukes Tr. (Tab 281) at 3111-3113; see also LPSC Open Session Transcript at 93-94 ("[T]here were certain questions that came to my mind that I felt could be resolved differently rather than just accepting what was in the BellSouth model on the

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vertical features if I had more time and if I had the opportunity to do discovery."). Moreover, Ms. Dismukes conceded that, the result of such additional analyses "may be a radically different number, but I don't know." Dismukes Tr. (Tab 281) at 3113 (emphasis added).⁵

32. It is little wonder that the ALJ, who heard the testimony summarized above, would have had the LPSC conclude that "the costing questions raised regarding vertical features make necessary an independent analysis of BellSouth's underlying cost data." Final Recommendation (Tab 292) at 52. The ALJ would also have had the LPSC "recognize that the timing of the Commission's Order 22252-A, which necessitated for the first time that a costing analysis be conducted with regard to vertical features, and the commencement of the hearing in this proceeding allowed very little opportunity for the Commission Staff witness to analyze the underlying cost data," and "decline to establish a permanent rate for vertical features at this time, and instead direct that further proceedings be undertaken with regard to the pricing of vertical features, allowing Ms. Dismukes, as well as all other parties, to conduct discovery concerning BellSouth's underlying cost data." Final Recommendation (Tab 292) at 52 (emphasis added). Nonetheless, the LPSC adopted Ms. Dismukes' proposal on a permanent basis even after Ms. Dismukes confirmed to the Commission itself that she had no real chance to verify

⁵ In addition, although Ms. Dismukes had stated in her direct testimony that she did not agree with Ms. Petzinger's position that there "is essentially no cost to BellSouth of offering vertical features," and that "there is a cost for each of the vertical features," Dismukes Tr. (Tab 281) at 3065-66, Ms. Dismukes contradicted these statements on cross-examination. Id. at 3117 ("So from the standpoint there are no incremental costs, once the hardware, once the software, is purchased by BellSouth, there is, there should be very little incremental cost associated with those vertical features").

BellSouth's studies.⁶ See LPSC Open Session Transcript at 93 ("Commissioner Field: "am I incorrect that you didn't have a chance to verify those, the underlying data? Ms. Kimberly Dismukes: "You're correct.").

B. Recurring Loop Rates.

33. Even the rate element upon which Ms. Dismukes focused her analysis and adjustments remains well above forward-looking costs. BellSouth proposed a recurring 2-wire analog voice-grade loop rate of \$25.24/month (excluding the frivolous "residual recovery charge"). Ms. Dismukes accepted the BellSouth study as the proper basis for calculation, notwithstanding its backward-looking focus. Ms. Dismukes then proceeded to adjust a few of BellSouth's more patently unsupportable input assumptions, including depreciation lives, fill factors, and shared and common costs. As noted above, those adjustments were supported by little analysis, and there is no basis for assuming (as the LPSC did) that the resulting loop rate of \$19.35 is cost-based. In fact, it is not. To put Ms. Dismukes' loop rate in context, the Hatfield Model estimated the average loop rate at \$15.31, Ellison Test. (Tab 278/8) at Exhibit WE2, and the Commission's Louisiana loop proxy is \$16.98. Local Competition Order at Appendix D.

34. The substantially higher BellSouth number is explained by several clear errors that Ms. Dismukes made no attempt to correct. For example, BellSouth's model reflects a sample of loops that included only residential and small business lines, and thus excluded business trunks,

⁶ The vertical feature charge set forth in the LPSC Pricing Order is not the \$8.51 charge proposed by Ms. Dismukes, but a charge of \$8.28 reflecting Ms. Dismukes's proposal of 23 cents per feature but assuming 36 rather than 37 separate vertical features. Moreover, the Pricing Order is silent as to whether this charge is to cover the availability of all features and functionalities in the switch or only those currently offered by BellSouth.

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ESSX lines and other loop types which account for *approximately 12.5%* of BellSouth's lines in Louisiana. Heikes Test. (Tab 276/6) at 2. As expert witnesses testified, this significantly biased BellSouth's cost estimates upward (by almost \$1.50/month), because the excluded business trunks and Centrex lines are, on average, shorter than other loops. Caldwell Tn Test. Vol. II 103-105; Ellison Test. at 33. They also tend to be concentrated in the most densely populated areas of the state. Distance and density are, of course, the major cost drivers in loop costs. Id. at 47. BellSouth's own cost witnesses have admitted that this exclusion had the effect of increasing the cost of the average loop, which is exactly the effect that BellSouth intended. Caldwell Tn. Test Vol. II pp. 103-05. Ms. Dismukes noted this error, Dismukes Test. (Tab 281) at 9, but did nothing to correct for it.

35. In addition, the LPSC-approved loop rates plainly do not satisfy the Commission's cost-based pricing standards because they are not deaveraged. In its Local Competition Order, the Commission found "that deaveraged rates more closely reflect the actual costs of providing interconnection and unbundled elements," and concluded that "rates for interconnection and unbundled elements must be geographically deaveraged." Id. at ¶ 764 (emphasis added). In its Ameritech Michigan Order, the Commission confirmed that deaveraging is mandatory for Section 271 checklist compliance:

Establishing prices based on TELRIC is a necessary but not sufficient condition for checklist compliance. In order for us to conclude that sections 271(c)(2)(B)(i) and (ii) are met, rates based on TELRIC principles for interconnection and unbundled network element must also be geographically deaveraged to account for the different costs of building and maintaining networks in different geographic areas of varying population density.

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Id. at ¶ 292 (emphasis added). The ALJ rejected BellSouth's average loop rate proposal and would have had the LPSC "find that the implementation of geographic deaveraging is necessary for the determination of accurate costs" and institute further proceedings to determine deaveraged rates. Final Recommendation (Tab 292) at 26 (emphasis added).

36. BellSouth does not attempt to defend its failure to deaverage on any factual ground, e.g., that there are no significant geographic cost variations within Louisiana. Indeed, BellSouth submitted no evidence in the permanent pricing proceeding before the LPSC that the cost of providing loops is uniform throughout Louisiana, and, in view of the state's demographics, no such showing conceivably could be made. Loop cost differences are undisputed and substantial. As testimony submitted in the LPSC proceeding on behalf of AT&T and MCI demonstrated, the Hatfield Model, which does produce deaveraged loop costs, showed deaveraged loop costs for Louisiana ranging from \$10.12 for wire centers that serve in excess of 40,000 lines to \$43.72 for wire centers that serve fewer than 2,000 lines. See Ellison Test. (Tab 278/8) at Exhibit WE2.

C. Collocation Rates.

37. As BellSouth's witnesses Ms. Caldwell and Mr. Varner testified during the hearings before the LPSC, BellSouth will physically separate the loop and switch when ordered by a CLEC, and leave it to the CLEC to reconnect them in collocated space in each BellSouth office. Caldwell Tr. (Tab 273) at 625-630; Varner Tr. (Tab 273) at 51. As set forth in the affidavit of Mr. Robert V. Falcone, AT&T believes that this approach is anticompetitive and unlawful.

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Nonetheless, BellSouth's insistence that CLECs use collocated space to recombine network elements underscores the importance under the checklist of forward-looking collocation rates.

38. Moreover, BellSouth's proposed charges for physical collocation -- which were adopted by the LPSC without adjustment (except for the generic input adjustments discussed above) and without review by the LPSC's cost consultant -- are not based on forward-looking economic costs and are grossly inflated. AT&T and MCI sponsored the testimony of several witnesses to describe a collocation cost model based on forward-looking cost principles. That model assumes that collocated space will be enclosed in metal cages served by fiber and copper cable, and estimated investments required for the construction and maintenance of these facilities based on competitive price quotes. See Bissell Test. (Tab 280/12) at 13-15; Klick Test. (Tab 280/14). BellSouth, in contrast, did not base its collocation prices on any forward-looking cost assumptions (or even submit evidence to support those prices).

39. Indeed, BellSouth took the position that cost-based pricing does not apply at all, because "Section 252(d) does not, on its face, apply to collocation." See Final Recommendation (Tab 292) at 53 (emphasis added). Compare Local Competition Order at ¶ 629 ("because section 251(c)(6) requires that incumbent LECs provide physical collocation on 'rates, terms and conditions that are just, reasonable and nondiscriminatory,' which is identical to the standard for interconnection and unbundled elements in sections 251(c)(2) and (c)(3), collocation should be subject to the same pricing rules").

40. Further, BellSouth's collocation prices are based on estimated costs for constructing facilities in BellSouth offices as they exist today and of a far more elaborate and

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expensive kind than that proposed, or even desired, by AT&T. Rather than being enclosed by cages, BellSouth will provide collocated space only in rooms constructed with metal studs and finished drywall. This approach, in itself unnecessary and expensive, generates a whole host of additional costs that would not be incurred with metal cage enclosures, such as the need for separate air conditioning and lighting. Moreover, the construction of such facilities might entail the removal or relocation of equipment and personnel, and the protection of BellSouth equipment and personnel from the dust and other incidents of the construction, with the result that costs would be driven higher still. Crocket Test. (Tab 280/8) at 5-18. Further, a number of BellSouth's proposed collocation charges are unreasonable on their face, for example, the charge for merely submitting an application of almost \$5,000, a security escort charge ranging from \$32.35 to \$48.66 per half-hour, and nonrecurring charges for cross-connects of \$23.04 for a 2-wire loop. Finally, key collocation rates such as the initial cost of site preparation -- often the largest one-time cost associated with collocation -- are wholly unspecified. Rather, the LPSC approved BellSouth's proposal that such charges should be "ICB" -- i.e., individual case basis -- with no guidelines whatever. Thus, a new entrant would have to wait for the reply of BellSouth to its request for collocation in a specific central office -- and the charges BellSouth would propose for space preparation -- before it could determine whether it would be economic to proceed.

41. In sum, a new entrant wishing use combinations of network elements to serve its customer, if forced to use collocated space to access the elements, would incur nonrecurring costs many times over what it would also incur simply to order and receive the network elements to serve the customer. The end result of these inflated collocation charges is that no new entrant will

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be able to compete with BellSouth using combinations of network elements, given the high costs it would incur before it could even provide dial tone to a customer.

42. Ms. Dismukes acknowledged that she had not reviewed BellSouth's collocation assumptions, much less the AT&T/MCI collocation mode. Dismukes Tr. (Tab 281) at 3119. In her Final Recommendation, the ALJ concluded that TELRIC principles are "applicable to the pricing of collocation," and found "that the AT&T/MCI collocation model best reflects TELRIC costs." Final Recommendation (Tab 292) at 55. The ALJ also recommended that the LPSC "approve of the wire-cage collocation enclosure proposed by the intervenors as a secure, cost-efficient structure." Id. Nonetheless, the LPSC, again purportedly relying solely on Ms. Dismukes' recommendations -- on an issue she did not even seriously or specifically address -- adopted collocation prices that are not least-cost or forward-looking.

D. Nonrecurring Rates

43. BellSouth's nonrecurring charges for service ordering, installation, disconnection and testing are based on assumptions that do not reflect forward-looking, least-cost systems or work activities. In addition, BellSouth assumes that CLEC orders sent over BellSouth's electronic ordering systems will fail 20% of the time and thus require costly manual intervention by BellSouth. There is no possible basis for any such assumptions in a forward-looking costing environment.

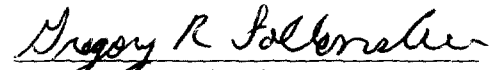
44. Other incumbent LECs, including Southwestern Bell, claim to currently achieve fallout rates of less than 2% with their existing equipment. Walsh Test. (Tab 280/1) at 12. Modern, efficient equipment can achieve much lower fallout rates, as the ALJ recognized in

recommending that the LPSC hold BellSouth to a 1% standard within 18 months. Final Recommendation (Tab 292) at 45. See also AT&T Pfau/Dailey Aff. ¶ 76 (current flow through rate for BellSouth is about 95%). A BellSouth witness acknowledged in the Louisiana hearings that fallout within its existing electronic system is rare. Landry Tr. (Tab 275) at 1047. Because manual processes are much more costly -- and in many cases the only relevant costs associated with service order provisioning and other nonrecurring activities -- the effect of BellSouth's proposal was to increase its nonrecurring charges an order of magnitude above forward-looking rates.

45. Additionally, BellSouth's nonrecurring cost studies are based on time estimates and other information gathered in the early 1990's. Hyde Test. (Tab 280/7) at 10. Clearly, assumptions based on such historic information, which does not reflect current, much less forward-looking, technology or the increasing efficiency of OSS, does not constitute a forward-looking and least-cost approach. Other methodological flaws in BellSouth's nonrecurring cost studies also grossly inflate costs and resulting charges. For example, BellSouth applies work group activities on a per loop basis when, in fact, loops can be provisioned much more efficiently in groups on a per order basis. Id. at 21. Moreover, although BellSouth's nonrecurring cost study assumes there will be a technician dispatched on only 20% of 2-wire nondesigned loop orders, the study inconsistently assumes that the Work Management Center will coordinate a "dispatched" technician on 100% of the orders. Id. at 21-22; Walsh Tr. (Tab 280) at 2715.


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I declare under penalty of perjury that the foregoing is true and correct.
Executed on July 22, 1998.


Gregory R. Follensbee

Sworn to and subscribed to before me

this 22nd day of July, 1998



Notary Public Notary Public Gwinnett County, Georgia
My Commission Expires March 14th, 1999



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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

**Second Application by BellSouth
Corporation, BellSouth Telecommunications,
Inc., and BellSouth Long Distance, Inc., for
Provision of In-Region, InterLATA Services
in Louisiana**

CC Docket No. 98-121

**AFFIDAVIT
OF
JOHN M. HAMMAN
ON BEHALF OF
AT&T CORP.**

AT&T EXHIBIT G

Filed August 4, 1998

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of

Application by BellSouth Corporation,)	
BellSouth Telecommunications, Inc.,)	CC Docket No. 98-121
and BellSouth Long Distance, Inc., for)	
Provision of In-Region, InterLATA)	
Services in Louisiana)	

**AFFIDAVIT OF
JOHN M. HAMMAN
ON BEHALF OF AT&T CORP.**

John M. Hamman, being first duly sworn upon oath, does hereby depose and state as follows:

1. My name is John M. Hamman. My business address is 1200 Peachtree Street, NE, Atlanta, Georgia, 30309-3579.
2. I am employed by AT&T Corp. ("AT&T") as a Technical Consultant. Prior to June 30th of this year, I worked in AT&T's Local Services Division. My responsibilities in that position included providing technical and analytical support necessary for AT&T's local service planning in the nine Southern Region states. This responsibility included being a core member of AT&T's negotiations Subject Matter Expert team responsible for unbundled network elements ("UNEs"). In addition, I provided analyses of the Incumbent Local Exchange Carriers' ("ILECs") agreements with Competitive Local Exchange Carriers ("CLECs") regarding the details of local service features, interconnection arrangements, and network architecture to assess their impact on AT&T's local service plans.

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3. I represented AT&T on the Southeast Local Number Portability ("LNP") Workshop and as Chair of the LNP Requirements Committee. I have also testified extensively in proceedings before various public service commissions throughout the nine state Southern Region on a variety of matters concerning AT&T's efforts to interconnect with the local exchange networks owned and operated by BellSouth Telecommunications, Inc. ("BellSouth"), to resell BellSouth's services, and to obtain access to various unbundled network elements in BellSouth's local networks.

4. Among the materials I reviewed in preparing this affidavit are the Interconnection Agreement between AT&T and BellSouth for Louisiana, effective July 27, 1997; BellSouth's revised Statement of Generally Available Terms and Conditions ("SGAT"), approved by the Louisiana Public Service Commission on June 18, 1998; and the affidavits of Alphonso J. Varner, W. Keith Milner and David Scollard submitted in this proceeding in support of BellSouth's application for permission to provide in-region interLATA toll service in Louisiana. I also have reviewed portions of the Commission's ruling in *In re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98, FCC 96-325 (Aug. 8, 1996) ("*Local Competition Order*"), as well as certain related Commission rulings. Where appropriate, I have provided my understanding of pertinent aspects of these rulings and the requirements imposed on ILECs by the Telecommunications Act of 1996 (the "Act").

SCOPE OF STATEMENT AND SUMMARY

5. My affidavit shows that BellSouth has not made access to unbundled network elements available in accordance with the requirements of the Act and the Commission's

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regulations. In particular, I demonstrate that BellSouth has not satisfied obligations pertaining to three items on the "competitive checklist": unbundled network elements, § 271(c)(2)(B)(ii); unbundled local switching, § 271(c)(2)(B)(vi); and reciprocal compensation. § 271(c)(2)(B)(xiii).

6. In Part I of my affidavit, I show that BellSouth has failed to provide access to the unbundled local switching element in four ways. First, BellSouth has yet to demonstrate that it can provide AT&T with the information it needs to bill and collect both exchange access and reciprocal compensation charges when AT&T uses unbundled switching to originate or terminate toll calls or to terminate local calls for other carriers. In the case of exchange access, BellSouth only recently acknowledged AT&T's right to collect intrastate access charges at all, and admits in its submission that it has not yet developed a method to provide any terminating access usage data for intraLATA toll calls that originate on its network. Moreover, BellSouth has yet to demonstrate that it can provide access data for any toll calls, whether intraLATA or interLATA, on a daily, mechanized basis. In the case of reciprocal compensation, BellSouth has made no showing that it is capable of providing the terminating usage data necessary to enable CLECs to collect reciprocal compensation for terminating local traffic, and has failed to commit to, let alone implement, a binding surrogate method applicable to all CLECs that permits such recovery.

7. Second, BellSouth has failed to demonstrate that it can provide customized routing to AT&T's operator services and directory assistance platforms. Although BellSouth has developed an interim method of providing such routing through the use of line class codes, it has imposed a burdensome and discriminatory ordering process for such routing that causes AT&T's orders to fall out of BellSouth's electronic systems. Alternatively, BellSouth claims it will provide

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such routing using an Advanced Intelligent Network method, but trial tests revealed that this method entails a discriminatory increase in post-dial delay. BellSouth has yet to propose, much less test and implement, a solution for this unacceptable service degradation.

8. Third, BellSouth has refused to provide AT&T with the full functions, features and capabilities of the unbundled local switch. Instead, BellSouth provides only the features and functions that it offers under its retail tariffs. If AT&T wishes to use currently installed features that BellSouth has chosen not to offer at retail, or that BellSouth does not offer on an individual basis, AT&T must request such features through a cumbersome and delay-filled bona fide request process. As a result of this discriminatory and anticompetitive requirement, AT&T must wait months for features that a switch owner can activate in a matter of hours, and AT&T must give advance notice of its plans for service innovation, thereby affording BellSouth an opportunity to study those plans and preempt them in the market.

9. Finally, BellSouth has not demonstrated that it is providing switching unbundled from the local loop. In fact, BellSouth has not established any of the methods and procedures that are necessary to ensure that a CLEC can combine its own local loop with BellSouth's unbundled switching in a manner that does not subject end users to serious service outages.

10. In Part II, I demonstrate that, by refusing to pay reciprocal compensation on traffic that a CLEC terminates to an internet or other Enhanced Service Provider customer, BellSouth has failed to establish just and reasonable arrangements for the recovery of reciprocal compensation. BellSouth's unilateral policy is inconsistent with the Commission's controlling characterization of ESP traffic as "local," as well as with BellSouth's treatment of such traffic in

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other contexts. Moreover, because ESP traffic typically involves far longer holding times than most local traffic, BellSouth's policy will deprive new entrants of a significant amount of reciprocal compensation.

11. Finally, in Part III of my affidavit, I show that BellSouth has adopted a discriminatory intellectual property restriction that prevents AT&T from using virtually all unbundled network elements without either facing the risk of liability for infringement of third party intellectual property rights or incurring the expense and delay of negotiating with, and making discriminatory payments to, dozens of third party vendors.

I. BELLSOUTH HAS FAILED TO PROVIDE ACCESS TO THE UNBUNDLED LOCAL SWITCHING ELEMENT.

12. The Commission has defined the unbundled local switching element as "line-side and trunk-side facilities plus the features, functions, and capabilities of the switch" (*Local Competition Order* ¶ 412) and has made clear that, when a requesting CLEC purchases this unbundled element, it obtains access to *all* of the above features, functions and capabilities, priced on a per-line basis. *Order on Reconsideration*, 11 FCC Rcd 13042 (1996) ¶ 11. BellSouth has denied AT&T and other CLECs such access by (1) failing to provide the records necessary to bill and collect access charges and reciprocal compensation; (2) failing to provide customized routing to AT&T's operator services and directory assistance platforms; (3) failing to provide access to all of the features and functions that BellSouth's switches are currently capable of providing; and (4) failing to establish the methods and procedures necessary to ensure that a purchaser of unbundled local switching can combine that switching with its own local loop.

A. BellSouth Has Failed To Provide Records That Will Enable Purchasers Of Unbundled Switching To Charge Other Carriers For Access Usage and Reciprocal Compensation.

13. A CLEC that purchases unbundled local switching is entitled to receive, among other things, data recorded by the switch necessary to bill and collect for the services it provides through the unbundled switch. This includes access usage data necessary to charge other carriers for providing exchange access services, as well as terminating usage data necessary to collect reciprocal compensation for terminating local calls originated by other carriers. BellSouth, however, has failed to demonstrate that it can provide such information; in fact, in the case of terminating access data for intraLATA toll calls originating on its network and reciprocal compensation for terminating local calls, BellSouth does not dispute that it is currently incapable of providing CLECs with such information.

1. Access Usage Data.

14. The Commission has expressly recognized that, when a CLEC uses the unbundled switch to offer exchange access services, it "may assess exchange access charges to IXC's originating or terminating toll calls on those elements." *Local Competition Order* ¶ 363 n.772. AT&T believes that the collection of such access charges is important to its ability to enter and compete in the local market through the use of unbundled network elements. For over two years, however, BellSouth disregarded the Commission's holding and took the position that, as a legal and policy matter, CLECs purchasing unbundled switching had no right to bill and collect for intrastate access provided to other carriers. Having only recently acknowledged AT&T's right to such revenues, BellSouth concedes that it is incapable of providing the terminating data necessary

to enable AT&T to collect such revenues for intraLATA toll calls that originate on its network, and BellSouth has yet to demonstrate that it can provide any access data on a daily, mechanized basis.

15. To permit a new entrant to bill for exchange access services, the incumbent must provide access records from the local and tandem switches where access traffic is measured. Without these records, a new entrant will not be able to bill for access and will thus be denied the revenues associated with the use of unbundled network elements to which it is entitled. To provide these records, moreover, the incumbent must be able to identify which local exchange carrier -- either the incumbent itself or one of several CLECs -- originated or terminated the toll call and is thus entitled to bill for the access services.

16. In the case of originating toll traffic, either intraLATA or interLATA, BellSouth already captures all of the information necessary to permit appropriate billing of originating access charges, including information that identifies the local carrier entitled to collect the originating access charges. In the case of terminating toll traffic, however, this is not the case. For traffic that originates on networks other than its own, BellSouth's local or tandem switches simply measure the aggregate amount of traffic arriving over dedicated trunk groups belonging to particular carriers without identifying the local carrier that terminates the call. This system was sufficient when BellSouth alone terminated such calls, because BellSouth simply billed the originating carrier for the amount of traffic that terminated over that carrier's trunk group. When a new entrant such as AT&T is providing terminating access services using the unbundled local switching element, however, some of the toll calls arriving over a particular trunk group will be

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terminated to AT&T local customers, while other calls arriving over the same trunk groups will be terminated to customers served by other CLECs or BellSouth. Accordingly, BellSouth's down-stream billing systems must be modified in order to sort out calls terminated to AT&T from the total number of calls that arrive over trunk groups dedicated to particular carriers.

17. In the case of intraLATA toll calls that originate on its own network, BellSouth's local switches currently do not produce a record of the terminating usage. Because incumbent LECs have in the past terminated such traffic themselves, they have never had to measure and bill for intraLATA toll access on calls originating on their own networks. Accordingly, BellSouth must develop a means for identifying all intraLATA toll calls that originate on its network that are terminated to a CLEC, so the CLEC can bill the appropriate carrier (which may be BellSouth itself or another CLEC using BellSouth's unbundled switching) for the local switched access services.

18. For over two years, BellSouth took the position that new entrants have no right to recover access charges for intrastate toll calls, whether interLATA or intraLATA, and it refused to provide any of the information needed to bill for such access. It was only in May, 1998, more than two years after the Telecommunications Act was passed and 21 months after the Commission issued its *Local Competition Order*, that BellSouth first conceded that it had any obligation to provide terminating usage details for intrastate toll calls. *See In re: BellSouth Telecommunications, Inc.'s Entry into Long Distance (InterLATA) Service in Tennessee Pursuant to Section 271 of the Telecommunications Act of 1996*, Docket No. 97-00309, Testimony of A. Varner, Tr. V. 1 B, at 105 (May 5, 1998) (Attachment 1). BellSouth appears to

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reiterate that concession in its filing with the Commission, indicating that it will develop the capability to generate terminating access data for intraLATA toll calls that it originates. *See* Affidavit of David Scollard ("Scollard Aff.") ¶ 21.¹ BellSouth's change in position, however, is not reflected in its SGAT filed in this docket.

19. More fundamentally, BellSouth has not demonstrated that it can provide the usage data necessary to enable UNE purchasers to bill for exchange access for either interLATA or intraLATA calls. To the contrary, BellSouth's own submission makes clear that it is *incapable* of providing such usage data for intraLATA toll calls that originate on its own network and are terminated by CLECs. Thus, Mr. Scollard concedes that, because "BellSouth does not currently bill terminating intra-state access associated with the toll calls it carries, switch recordings for these types of calls are not produced." *Id.* He states that BellSouth "will implement the mechanized capability to provide records for these types of calls by October 31, 1998," and will "jointly develop an alternative compensation process" with CLECs in the interim. *Id.* Thus, by BellSouth's own admission, it has not developed or tested, much less implemented, a system capable of providing the usage detail necessary to enable CLECs to bill and collect access charges when they terminate intraLATA toll calls that originate on BellSouth's network. In addition, BellSouth only recently has expressed a willingness to agree to an interim alternative compensation process, and it has yet to commit itself to any binding terms and conditions for such

¹ BellSouth concedes that new entrants can recover access charges for intrastate calls, but its witness stops short of acknowledging that they can collect such charges from BellSouth. *See* Affidavit of Alphonso J. Varner ("Varner Aff.") at ¶ 127 (a new entrant "may provide interstate and intrastate exchange access . . . and collect the associated access charges. CLECs choosing unbundled switching are entitled to collect the associated access charges from interexchange carriers").

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an interim process. BellSouth is therefore not providing access to the unbundled local switching element in accordance with the Commission's requirements. *See In the Matter of Application of Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934, as amended, to Provide In-Region, InterLATA Services in Michigan*, CC Docket No. 97-137 (August 19, 1997) ("*Ameritech Michigan Order*") ¶ 55 (promise of future performance does not demonstrate compliance with the Act).

20. In addition, BellSouth has yet to demonstrate that it is capable of providing the usage detail necessary to enable CLECs to bill and collect any access charges on interLATA or intraLATA toll calls. BellSouth asserts that it has developed an "Access Daily Usage File (ADUF) . . . to provide the usage data that would enable CLECs to bill an interexchange carrier for the provision of inter-state access," and claims that it has "had the capability to provide ADUF . . . since December 19, 1997." Scollard Aff. ¶ 21. This assertion is highly misleading and inaccurate. In fact, BellSouth has consistently failed to provide information necessary to enable AT&T to test the accuracy of the ADUF.

21. First, BellSouth did not even send a readable sample ADUF to AT&T until March of 1998. This sample, which preceded any joint testing, demonstrated only that the file was prepared in an appropriate format and, if complete and accurate, would provide AT&T with the necessary call detail to bill an interexchange carrier for interLATA access. Contrary to Mr. Scollard's suggestion, moreover, the joint testing that BellSouth recently undertook with AT&T and MCI has not yet demonstrated that BellSouth can mechanically produce accurate daily access usage reports. To perform such testing, AT&T personnel placed and recorded a variety of toll